

North Dakota Office of State Tax Commissioner

# 2000 **Schedule RZ** booklet

Renaissance Zone Act exemptions and credits

**This booklet contains:**

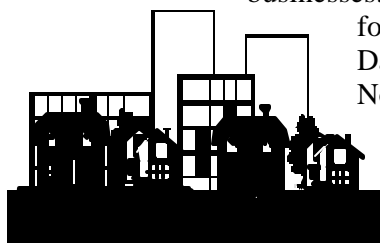
- **Schedule RZ**
- **Instructions**

**S**chedule RZ is a supplemental form that must be completed and attached to the North Dakota tax return by a taxpayer claiming any of the income or financial institution tax incentives under the North Dakota Renaissance Zone Act.

North Dakota Renaissance Zones

**Rick Clayburgh**  
Tax Commissioner

**T**he North Dakota Renaissance Zone Act (“Act”) was enacted by North Dakota’s Fifty-Sixth Legislative Assembly (1999 Session). It authorizes a North Dakota city to apply to the state for designation of part of the city as a renaissance zone. It is a tool that North Dakota communities can use to redevelop and revitalize a portion of their communities to attract and retain new residents and



businesses. Two North Dakota agencies are responsible for the administration of the Act: the North Dakota Division of Community Services and the North Dakota Office of State Tax Commissioner.

The Act provides income, financial institution, and property tax incentives to individuals and businesses for making qualified investments in a North Dakota

renaissance zone. (For more information on the property tax incentives under the Act, contact the city assessor for the city in which the zone is located.)

## Purpose of this booklet

This booklet contains Schedule RZ and its instructions. Schedule RZ must be completed by those taxpayers claiming any of the income or financial institution tax incentives under the Act. It must be attached to the applicable income or financial institution tax return.

## Eligibility for the tax incentives

Except for the tax credit for investing in a renaissance fund corporation (*see Part 5, Schedule RZ, on page 9 of this booklet*), eligibility for the tax incentives is dependent on having an approved zone project in an established renaissance zone.

### Renaissance zone

A renaissance zone is an area within a city that is no more than 20 contiguous blocks, has a continuous boundary, and contains both commercial and residential property. The life of a zone may not exceed fifteen years, and only one zone may be established by a city. To establish a zone, a city must apply to the State of North Dakota, through the Division of Community Services.

### Approved zone project

An approved zone project is a transaction in an established zone that is approved by both the local zone authority and the North Dakota Division of Community Services. A taxpayer must apply to the local zone authority for approval of a zone project. In general, a transaction that is eligible for consideration as a zone project will involve the purchase, lease, or improvement of a residential or commercial building in an established renaissance zone. The eligible transactions differ for each tax incentive, so it is important to know which transactions are required to qualify for a particular tax

incentive. See the instructions for Parts 1 through 5 of this booklet for the qualifying transactions for each tax incentive.

**Local zone authority.** For more information on applying for a zone project, contact the local zone authority for the renaissance zone in which the project will be located. The city governing body or the North Dakota Division of Community Services can provide contact information for the established local zone authorities.

### Division of Community Services

The North Dakota Division of Community Services is responsible for administering the Act’s provisions covering the establishment and operation of a zone, including the review and approval of zone projects. For more information on North Dakota renaissance zones and zone projects, contact the Division of Community Services as follows:

#### Web site

[www.state.nd.us/dcs/comdev/renzone.html](http://www.state.nd.us/dcs/comdev/renzone.html)

#### Call

(701) 328-2094

#### Write to

ND Division of Community Services  
State Capitol, 14th Floor  
600 East Boulevard Avenue  
Bismarck, ND 58505-0170

## Contents

Information on the Renaissance Zone Act..... **This page**

Where to get help ..... **This page**

General information on the income and financial institution tax incentives under the Act..... 1

- Available tax incentives ..... 1
- Zone project approval ..... 1
- Pass-through entity ..... 1
- Financial institution minimum payment ..... 2
- Priority of exemptions and credits ..... 2
- How to complete Schedule RZ ..... 2

General and specific instructions for:

- Part 1: Business income exemption ..... 2
- Part 2: Investment income exemption ..... 5
- Part 3: Single-family residence tax credit ..... 6
- Part 4: Historic property preservation or renovation tax credit ..... 8
- Part 5: Renaissance fund corporation investment tax credit ..... 9
- Part 6: Summary of exemptions and credits ..... 10

Instructions for calculating the zone apportionment factor ..... 12

## Where to get help

If you have questions about the tax incentives under the Act or the completion of Schedule RZ:

### Call

Toll-free (in ND) 1-800-638-2901  
General (701) 328-2770  
Individual income tax (701) 328-3450  
Corporation income & financial institution taxes (701) 328-2046

Speech or hearing impaired—call Relay North Dakota at 1-800-366-6888 (*ask for 1-800-638-2901*)

### E-mail

E-mail us at: [taxinfo@state.nd.us](mailto:taxinfo@state.nd.us). Or, go to our website at [www.ndtaxdepartment.com](http://www.ndtaxdepartment.com) and click on Feedback.

### Write to

ND Office of State Tax Commissioner  
State Capitol, 16th Floor  
600 East Boulevard Avenue  
Bismarck, ND 58505-0599

### Website

[www.ndtaxdepartment.com](http://www.ndtaxdepartment.com)

North Dakota Office of State Tax Commissioner  
2000 **Schedule RZ** instructions

General and specific instructions for Schedule RZ

## General information

### Purpose of form

Schedule RZ is a supplemental schedule that must be completed by a taxpayer claiming any of the income or financial institution tax incentives available under the North Dakota Renaissance Zone Act. It must be attached to the taxpayer's North Dakota tax return.

### Available tax incentives

The Act provides the following five tax incentives for income tax and financial institution tax purposes:

- A five-year business income exemption is allowed for purchasing, leasing, or making a qualified improvement to real property used in a business that is located in an established renaissance zone. See **Instructions for Part 1: Business income exemption** on page 2.
- A five-year investment income exemption is allowed for purchasing residential or commercial real property located in an established renaissance zone solely for investment purposes. See **Instructions for Part 2: Investment income exemption** on page 5.
- An income tax credit up to \$10,000 per year for five years is allowed to an individual for purchasing a single-family residence located in an established renaissance zone, provided that the residence is the individual's primary place of residence. See **Instructions for Part 3: Single-family residence tax credit** on page 6.
- A tax credit equal to 50% of the expenditures is allowed for preserving or renovating certified historic property located in an established renaissance zone. See **Instructions for Part 4: Historic property preservation or renovation tax credit** on page 8.
- A tax credit equal to 50% of the amount invested is allowed for

investing in a renaissance fund corporation. See **Instructions for Part 5: Renaissance fund corporation investment tax credit** on page 9.

### Zone project approval

Upon final approval of a zone project, the North Dakota Division of Community Services will issue a letter of final approval to the local zone authority which, among other things, will include the following:

- Project number assigned to the project by the local zone authority.
- Description of the tax incentive(s) that the taxpayer qualified for.
- The starting date of the five-year exemption period (in the case of the business or investment income exemption) or the five-year credit period (in the case of single-family residence tax credit).

This information is important to the proper completion of Schedule RZ. A copy of the approval letter must be attached to the North Dakota tax return along with Schedule RZ. If you do not have a copy of the approval letter, contact your local zone authority to obtain one.

***Note:** In the case of a partnership, S corporation, or other pass-through entity, the copy of the approval letter must be attached to the pass-through entity's tax return. The owners of the pass-through entity do not attach a copy of the approval letter to their North Dakota tax returns. See **Pass-through entity owner** on page 2 for more information.*

### Pass-through entity

If the taxpayer is a partnership, S corporation, or other pass-through entity, the amount of the exemption or credit must be determined at the pass-through entity level. Except as provided below under **Financial institution exception**, the exemption or credit must be passed through to the owners in proportion to their respective interests in the entity.

**Financial institution exception.** In the case of a pass-through entity that is

## Definitions

Unless stated otherwise in these instructions, the following definitions apply:

**Act**—means the Renaissance Zone Act under N.D.C.C. ch. 40-63.

**Local zone authority**—means the group or entity designated by the city governing body to promote, develop, and manage the zone.

**Parcel of property**—means a specific piece of real property consisting of land and the buildings, fixtures, structures, and improvements affixed to the land.

**Pass-through entity**—means a partnership, S corporation, or other entity that passes its income, gains, deductions, credits, etc., through to its owners for federal income tax purposes.

**Renaissance fund corporation**—means a corporation established by a city for the purpose of raising funds to be used for investments in and providing financing to zone projects.

**Taxpayer**—means an individual, estate, trust, partnership, corporation, limited liability company, or other entity subject to N.D.C.C. ch. 57-35.3 (relating to the financial institution tax) or N.D.C.C. ch. 57-38 (relating to the income tax).

**Zone**—means a state-approved renaissance zone created under the Act.

**Zone project**—means a qualifying transaction with respect to a parcel of property located in a zone that is approved by both the local zone authority and the North Dakota Division of Community Services.

**Zone project property**—means the portion of a parcel of property that has been approved as a zone project.

subject to the North Dakota financial institution tax under N.D.C.C. ch. 57-35.3 (Form 35 filer), only the business and investment income exemptions may be passed through to the owners. The credits under the Act may **not** be passed through to the owners.

### Pass-through member notice

A pass-through entity must provide each of its owners with a notice informing them about the pass-through of exemptions and credits. The notice must be provided to them on or before the due date (or extended due date) of the pass-through entity's North Dakota tax return. The notice must contain all of the following:

- The heading: Renaissance Zone Pass-Through Member Notice.
- The statement: This notice contains information that is important to the preparation of your North Dakota tax return. For instructions on how to report this information on your North Dakota return, obtain Schedule RZ from the North Dakota Office of State Tax Commissioner. Attach a copy of this notice to your North Dakota tax return.
- Name, address, and federal employer identification number (FEIN) of the pass-through entity.
- Tax year of the pass-through entity for which the statement is provided.
- If applicable, the zone project number.
- Name and social security number (or FEIN) of the owner.
- The owner's share of the pass-through entity's exemption or credit. If the pass-through entity qualified for more than one exemption or credit, show them separately on the notice. For this purpose, use the applicable description as follows:
  - Business income exemption
  - Investment income exemption
  - Historic property tax credit
  - Renaissance fund corporation investment tax credit

### Pass-through entity owner

If you own an interest in a partnership, S corporation, or other pass-through entity that qualifies for any of the renaissance zone income exemptions or tax credits, the pass-through entity must provide you with a notice showing your share of the exemptions or credits—see **Pass-through**

**member notice** on this page. If you own an interest in a pass-through entity that is subject to the North Dakota financial institution tax under N.D.C.C. ch. 57-35.3 (Form 35 filer), you will receive a pass-through member notice only if an income exemption is passed through to you—the credits under the Act are not passed through to the owners.

If you receive a pass-through member notice, you may claim your share of the exemptions and credits on your North Dakota tax return as follows:

1. Enter your share of each exemption or credit shown on the Renaissance Zone Pass-Through Member Notice on the applicable line of Schedule RZ. A separate line is provided in Parts 1, 2, 4, and 5 of Schedule RZ for this purpose.
2. Attach Schedule RZ (all three pages) and a copy of the Renaissance Zone Pass-Through Member Notice to your North Dakota tax return.

## Financial institution minimum payment

The income exemptions and tax credits allowed under the Act do not affect the \$50.00 minimum payment required of a financial institution under N.D.C.C. § 57-35.3-03.

## Priority of exemptions and credits

A taxpayer may qualify for more than one tax incentive under the Act. If a taxpayer qualifies for both an income exemption and a tax credit under the Act, the income exemption must be applied first to determine North Dakota taxable income, and the tax credit must be subtracted from the tax calculated on North Dakota taxable income.

### Multiple income exemptions

If you qualify for more than one income exemption under North Dakota law (including the Act), contact the Office of State Tax Commissioner for instructions on how to determine the amount of each exemption.

### Multiple tax credits

If you qualify for more than one tax credit under North Dakota law (including the

Act), the credits must be applied in the following order:

1. Tax credits that may not be carried back or carried forward to another tax year.
2. Tax credits that may be carried back.
3. Tax credits that may be carried forward.

**Note:** *In the case of an individual, the credit for income tax paid to another state must be applied first in all cases.*

## How to complete Schedule RZ

Schedule RZ is a three-page schedule consisting of the following six parts:

- Part 1 Business income exemption
- Part 2 Investment income exemption
- Part 3 Single-family residence tax credit
- Part 4 Historic property preservation or renovation tax credit
- Part 5 Renaissance fund corporation investment tax credit
- Part 6 Summary of exemptions and credits

Complete the applicable part(s) according to the instructions provided in this booklet. Part 6 must be completed in all cases.

**Note:** *If you have more than one zone project that qualifies for the same exemption or credit, complete a separate Schedule RZ for each project. Add the separately calculated amounts and enter the total on the applicable line in Part 6 of one of the schedules.*

**Attach all three pages of Schedule RZ to your North Dakota tax return.**

## Instructions for Part 1:

## Business income exemption

## General instructions

### Eligibility

A five-year business income exemption is allowed for income tax purposes (under N.D.C.C. ch. 57-38) or financial

institution tax purposes (under N.D.C.C. ch. 57-35.3) for any of the following qualifying transactions:

- **Purchase**—Purchasing zone project property for use in a trade or business in the zone. This includes the construction of a new building.
- **Purchase with major improvement**—This is the same as purchasing zone project property (above) except that major renovation to the property is necessary before the trade or business can begin *any* income-producing activity.
- **Lease**—Leasing zone project property for use in a trade or business in the zone. In general, only new tenants moving into the zone may qualify. An existing tenant may qualify if the tenant leases *additional* space in the renaissance zone to accommodate an expansion.
- **Qualified improvement**—Making a qualified improvement to zone project property used in a trade or business in the zone. A qualified improvement is one in which the cost of the improvement equals or exceeds 50% of the current true and full value of the zone project property before the improvement is made.

The business income exemption may be claimed by the following taxpayers:

- An individual (on Form 37-S or Form 37).
- An estate or trust (on Form 38, Schedule 1 or 2).
- A corporation (on Form 40).
- A financial institution (on Form 35).

If the taxpayer is a partnership, S corporation, or other pass-through entity, see **Pass-through entity** on page 1.

## Five-year exemption period

For purposes of the business income exemption under the Act, the five-year exemption period is a period of sixty consecutive months that begins as follows:

- **Purchase**—For a purchase transaction, the 60-month exemption period begins with the month in which title to the real property transfers to the taxpayer.
- **Lease**—For a lease transaction, the 60-month exemption period begins with the month in which the lease

agreement takes effect.

- **Purchase with major improvement**—In the case of a purchase transaction where renovation to the zone project property is necessary before the trade or business can begin *any* income-producing activity, the 60-month exemption period begins with the month in which the trade or business first derives gross income from its operations.
- **Qualified improvement**—For a qualified improvement, the 60-month exemption period begins with the month in which the improvement work is completed, as determined by the local zone authority.

Once the five-year exemption period begins to run, it runs uninterrupted through the end of the exemption period. The entire five-year exemption period is available even if the renaissance zone itself expires before the end of the five-year exemption period.

**One exemption per zone project property.** The business income exemption is allowed only one time with respect to a particular zone project property over the life of the renaissance zone.

**Transfer of zone project property.** The business income exemption and its five-year exemption period attach to the zone project property. If the zone project property is transferred to another taxpayer before the property's five-year exemption period expires, the exemption and the unused portion of the five-year exemption period transfer with the property.

The taxpayer who transfers the property is ineligible for the exemption starting with the month of disposition. If the property is transferred to a taxpayer who also qualifies for the business income exemption with respect to the property, the taxpayer acquiring the property is eligible for the exemption for the unexpired portion of the five-year exemption period starting with the month of acquisition.

## Specific line instructions

### Note: Pass-through entity owner

If you own an interest in a partnership, S corporation, or other pass-through entity,

and you are completing Schedule RZ only to claim your share of the business income exemption passed through to you by the entity, skip lines 1 through 12 and go to line 13. See **Pass-through entity owner** on page 2 for more information.

### Line 1

Enter the project number assigned to your zone project by the local zone authority. The project number shown on this line must agree with the project number shown on the zone project approval letter issued by the North Dakota Division of Community Services. If you do not have a copy of the zone project approval letter, contact your local zone authority to obtain one.

**Attach a copy of the zone project approval letter to your North Dakota tax return.**

### Line 2

Check the applicable box to identify the renaissance zone city where your zone project is located.

### Line 3

Enter the street address of your zone project property. Include the apartment, suite, or other unit number, if applicable. **Do not** enter a post office box number.

### Line 4

If you qualified for more than one zone project at the same street address, check the "Yes" box and write the project numbers for all of them on the line provided on the schedule.

***Note:** If you have more than one zone project for which you qualify for the business income exemption, complete a separate Schedule RZ for each project. Add the separately calculated amounts and enter the total in Part 6, line 1, of one of the schedules.*

### Line 7

Enter the exemption start date for your zone project. This date is shown on the zone project approval letter issued by the North Dakota Division of Community Services. This date establishes the beginning of the five-year exemption period that applies to your zone project property. This date does not change, even if you transfer the property to another qualifying taxpayer. See **Five-year exemption period** on this page for more information.

**Line 8****North Dakota business income**

The amount to enter on this line depends on the type of North Dakota tax return that you are required to file. Enter the amount as follows:

- **Resident individual**—If you are a resident individual filing North Dakota Form 37-S or Form 37, enter the net income from Federal Form 1040, Schedule C or Schedule C-EZ. If you have a net loss, enter zero.
- **Nonresident individual**—If you are a nonresident individual filing North Dakota Form 37-S or Form 37, and you are doing business in North Dakota as a sole proprietorship, enter the amount from North Dakota Schedule NR, Column B, line 6. If this amount is a net loss, enter zero.
- **Regular corporation**—If you are a regular corporation filing North Dakota Form 40, enter the amount from Form 40, page 1, line 6 less line 9.

**Exception:** Disregard the above instruction if you are also claiming any of the following: (1) the new and expanding industry exemption under N.D.C.C. ch. 40-57.1; (2) your share of a business income exemption passed through to you by a partnership or other pass-through entity—see Schedule RZ, Part 1, line 13; or (3) the investment income exemption—see Schedule RZ, Part 2, line 10. If any of these apply, contact the Office of State Tax Commissioner for instructions on how to determine the amount to enter on this line.

- **S corporation**—If you are an S corporation filing North Dakota Form 60, enter the amount from Form 60, page 1, line 16.

**Exception:** Disregard the above instruction if you (1) carry on your trade or business both inside and outside North Dakota and (2) have both resident and nonresident individual shareholders. If this exception applies, contact the Office of State Tax Commissioner for instructions on how to complete Schedule RZ.

- **Partnership**—If you are a partnership filing North Dakota Form 58, enter the amount Form 58, page 1, line 11.

**Exception:** Disregard the above instruction if you (1) carry on your trade or business both inside and outside North Dakota and (2) have both resident and nonresident individual partners. If this exception applies, contact the Office of State Tax Commissioner for instructions on how to complete Schedule RZ.

- **Financial institution**—If you are a financial institution filing North Dakota Form 35, enter the amount from Form 35, page 1, line 6 less line 9.

**Exception:** Disregard the above instruction if you are also claiming any of the following: (1) your share of a business income exemption passed through to you by a partnership or other pass-through entity—see Schedule RZ, Part 1, line 13; or (2) the investment income exemption—see Schedule RZ, Part 2, line 10. If any of these apply, contact the Office of State Tax Commissioner for instructions on how to determine the amount to enter on this line.

- **Fiduciary**—If you are a fiduciary filing North Dakota Form 38, and you are operating a business as a sole proprietorship, enter the net income from the Schedule C or Schedule C-EZ (Form 1040) that you attached to Federal Form 1041. If you have a net loss, enter zero.

**Note:** For a nonresident estate or trust, enter only that portion of the net income from Schedule C or Schedule C-EZ (Form 1040) that is attributable to North Dakota.

**Lines 9a through 9h****Zone apportionment factor**

The business income exemption is allowed only with respect to that portion of your North Dakota business income that is attributable to your zone project property. This is determined by multiplying your North Dakota business income by a zone apportionment factor. The application of the zone apportionment factor depends on the portion of your business real property that is part of your zone project. For this purpose, real property includes leaseholds, i.e., real property that you are leasing and using in your business.

If your zone project includes *all* of your business real property in North Dakota, skip lines 9a through 9g and enter 1.000000 on line 9h. Then go to line 10.

If your zone project does not include all of your business real property in North Dakota, you must complete lines 9a through 9g to calculate the zone apportionment factor to enter on line 9h. The instructions for lines 9a through 9g are on page 12 of this booklet.

**Lines 11a through 11c**  
**Exemption period limitation**

The business income exemption is allowed for only that portion of your tax year for which you are eligible for the exemption.

**Full-year eligibility.** You are eligible for the exemption for your entire 2000 tax year if *all* of the following apply:

- You were eligible for the business income exemption as of the beginning of your 2000 tax year.

If you are the first taxpayer to qualify for the business income exemption with respect to the zone project property, your eligibility began in the month in which the property's 60-month exemption period began. See **Five-year exemption period** on page 3.

If you acquired zone project property to which the business income exemption had already attached, and you acquired the property before the expiration of the property's 60-month exemption period, your eligibility began in the month in which title to the property transferred to you, or in the month in which the lease agreement took effect. See **Transfer of zone project property** on page 3.

- You used the zone project property in your business for your entire 2000 tax year.
- The 60-month exemption period did not expire during your 2000 tax year. This condition applies if the 60th month of the exemption period falls in the last month of your 2000 tax year or later.

If all of the above conditions apply, skip lines 11a and 11b, and enter 1.000000 on line 11c. Then go to line 12.

**Partial-year eligibility.** You are eligible for the exemption for only part of your 2000 tax year if any of the following apply:

- You became eligible for the business income exemption during the 2000 tax year in a month other than the first month of the tax year.

If you are the first taxpayer to qualify for the business income exemption with respect to the zone project property, your eligibility began in the month in which the property's 60-month exemption period began. See **Five-year exemption period** on page 3.

If you acquired zone project property to which the business income exemption had already attached, and you acquired the property before the expiration of the property's 60-month exemption period, your eligibility began in the month in which title to the property transferred to you, or in the month in which the lease agreement took effect. See **Transfer of zone project property** on page 3.

- You sold the zone project property, terminated the lease on the zone project property, or permanently withdrew the zone project property from use in your business during the current tax year.
- The maximum 60-month exemption period allowed for the zone project property expired during the current tax year, and the 60th month is a month other than the last month of the current tax year.

If any of the above conditions apply, you must complete lines 11a through 11c to calculate an exemption period eligibility factor. Enter on line 11a the **smaller** of the following:

- Number of months in the 60-month exemption period available to you as of the beginning of the 2000 tax year.
- Number of months you owned or leased the zone project property during the 2000 tax year. If you acquired the zone project property during the 2000 tax year, include the month in which you acquired the property. If you disposed of the zone project property during the 2000 tax year, exclude the month in which you disposed of the property.
- Number of months the zone project property was used in your business during the current tax year. Include the month in which the zone project property was first put into use in the

business, and exclude the month in which the zone project was permanently removed from use in the business.

#### Line 13

This line applies only if you own an interest in a partnership, S corporation, or other pass-through entity that qualified for the business income exemption. Enter on this line your share of the business income exemption shown on the Renaissance Zone Pass-Through Member Notice that you received from the pass-through entity. See **Pass-through entity** on page 1 for more information.

**Attach a copy of the Renaissance Zone Pass-Through Member Notice to your North Dakota tax return.**

## Instructions for Part 2: Investment income exemption

### General instructions

#### Eligibility

A five-year investment income exemption is allowed to a taxpayer for income tax purposes (under N.D.C.C. ch. 57-38) or financial institution tax purposes (under N.D.C.C. ch. 57-35.3) for purchasing zone project property that meets **both** of the following conditions:

- The property consists of residential or commercial real property.
- The property is used solely for investment purposes.

For this purpose, a purchase includes the construction of a new building.

The investment income exemption may be claimed by the following taxpayers:

- An individual (on Form 37-S or Form 37).
- An estate or trust (on Form 38, Schedule 1 or 2).
- A corporation (on Form 40).
- A financial institution (on Form 35).

**Pass-through entity.** If the taxpayer is a partnership, S corporation, or other pass-

through entity, see **Pass-through entity** on page 1.

#### Investment use property

Property is used solely for investment purposes if the property is not part of or used in the regular course of any trade or business of the taxpayer. Unless a taxpayer can show otherwise, any property acquired by a sole proprietorship, partnership, corporation (including an S corporation), limited liability company, or other recognized type of business entity is deemed to be used in a trade or business and is not eligible for this investment income exemption. If you are uncertain as to whether property you are planning to acquire will be considered business- or investment-use property, you are advised to submit a written request for an opinion to the Office of State Tax Commissioner.

#### Five-year exemption period

For purposes of the investment income exemption under the Act, the five-year exemption period is a period of sixty consecutive months that begins with the month in which the taxpayer first receives gross income from the property. Once the five-year exemption period begins to run, it runs uninterrupted through the end of the exemption period. The entire five-year exemption period is available even if the renaissance zone itself expires before the end of the five-year exemption period.

**One exemption per zone project property.** The investment income exemption is allowed only one time with respect to a particular zone project property over the life of the renaissance zone.

**Transfer of zone project property.** The investment income exemption and its five-year exemption period attach to the zone project property. If the zone project property is transferred to another taxpayer before the property's five-year exemption period expires, the exemption and the unused portion of the five-year exemption period transfer with the property.

The taxpayer who transfers the property is ineligible for the exemption starting with the month of disposition. If the property is transferred to a taxpayer who also qualifies for the investment income exemption with respect to the property, the taxpayer acquiring the property is eligible for the exemption for the

unexpired portion of the five-year exemption period starting with the month of acquisition.

### Amount of exemption

The amount of the exemption equals the taxpayer's investment income derived from the zone project property during the period of time that the taxpayer is eligible for the exemption. For purposes of this exemption, investment income means net rental income and the taxable portion of a gain from the sale or other disposition of the property. In the case of an installment sale, the exemption is allowed for each tax year in which part of the gain from the sale is required to be reported for federal income tax purposes. However, interest income derived from an installment sale contract is not eligible for the exemption because it is not derived from the sale of the property, but is derived from the contract itself.

## Specific line instructions

### Note: Pass-through entity owner

If you are a pass-through entity owner and you are completing Schedule RZ only to claim your share of the investment income exemption passed through to you by the pass-through entity, skip lines 1 through 8 and go to line 9. See **Pass-through entity owner** on page 2 for more information.

### Line 1

Enter the project number assigned to your zone project by the local zone authority. The project number shown on this line must agree with the project number shown on the zone project approval letter issued by the North Dakota Division of Community Services. If you do not have a copy of the zone project approval letter, contact your local zone authority to obtain one.

**Attach a copy of the zone project approval letter to your North Dakota tax return.**

### Line 2

Check the appropriate box to identify the North Dakota city where your zone project property is physically located.

### Line 3

Enter the street address of your zone project property. Include the apartment,

suite, or other unit number, if applicable. **Do not** enter a post office box number.

### Line 4

If you qualified for more than one zone project at the same street address, check the "Yes" box and write the project numbers for all of them on the line provided on the schedule.

*Note: If you have more than one zone project for which you qualify for the investment income exemption, complete a separate Schedule RZ for each project. Add the separately calculated amounts and enter the total in Part 6, line 2, of one of the schedules.*

### Line 6

Enter the exemption start date for your zone project. This date is shown on the zone project approval letter issued by the North Dakota Division of Community Services. This date establishes the beginning of the five-year exemption period that applies to a particular zone project property. This date does not change with respect to the zone project property, even if the property is transferred to another qualifying taxpayer. See **Five-year exemption period** on page 5 for more information.

### Lines 7a and 7b Investment income

On line 7a, enter the actual rents, less related expenses, that you received for the months you were eligible for the exemption during the 2000 tax year.

On line 7b, enter the portion of the gain included in your North Dakota taxable income that you derived from the sale of your zone project property, provided the sale occurred during the period of time you were eligible for the exemption. If you sold your zone project property on the installment basis, you are eligible for this exemption in each tax year in which part of the gain is included in your North Dakota taxable income under the installment sale contract, even if the five-year exemption period or the renaissance zone expires before the end of the installment sale contract. Also enter the date of sale or other disposition in the space provided on this line.

### Line 9

This line applies only if you own an interest in a partnership, S corporation, or

other pass-through entity that qualified for the investment income exemption. Enter on this line your share of the investment income exemption shown on the Renaissance Zone Pass-Through Member Notice that you received from the pass-through entity. See **Pass-through entity** on page 1 for more information.

**Attach a copy of the Renaissance Zone Pass-Through Member Notice to your North Dakota tax return.**

## Instructions for Part 3:

## Single-family residence tax credit

## General instructions

### Eligibility

An income tax credit is available to an individual for purchasing a single-family residence in a renaissance zone as a primary place of residence. For this purpose, a purchase includes the construction of a new single-family residence.

The credit is equal to \$10,000 per year for five years. The credit is allowed on both Form 37-S (Short form) and Form 37 (Long form). If the credit exceeds the individual's tax liability for any tax year, the excess credit is not refundable and may not be used to offset the individual's tax liability for any other tax year.

### Single-family residence

A single-family residence means a single-family detached home, a single unit in a duplex or condominium, or a townhouse.

### Primary place of residence

A primary place of residence is a physical place of abode that is the individual's legal residence (or domicile). An individual's legal residence is the individual's true, fixed and permanent home. It is the place to which an individual intends to return whenever absent from it. While an individual may have more than one physical place of abode, only one of them may be the



individual's legal residence. Legal residence is based on each individual's facts and circumstances as well as the individual's intent.

### Five-year credit period

For purposes of the Act, the five-year period for which the credit is allowed is a period of sixty consecutive months that begins on the first day of the month in which the residence is first occupied by a qualifying taxpayer. The 60-month credit period consists of five 12-month periods, and the credit of \$10,000 is allowed for each of the five 12-month periods. If a taxpayer is not eligible for the tax credit for the entire tax year, a credit equal to \$833.33 (\$10,000 divided by 12) is allowed for each month of eligibility during the tax year.

Once the five-year credit period begins to run, it runs uninterrupted through the end of the five-year credit period. The entire five-year credit period is available even if the renaissance zone itself expires before the end of the five-year credit period.

**One tax credit allowed per single-family residence.** Only one tax credit is allowed per single-family residence over the life of the zone.

**Transfer of zone project property.** The tax credit and its five-year credit period attach to the single-family residence. If the residence is transferred to another qualifying taxpayer before the five-year credit period expires, the tax credit and the unused portion of the five-year credit period transfer with the property.

The taxpayer who transfers the residence is ineligible for the exemption starting with the month of disposition. If the residence is transferred to another taxpayer who also qualifies for the tax credit with respect to the residence, the taxpayer acquiring the property is eligible for the tax credit for the unexpired portion of the five-year credit period starting with the month of acquisition.

### Change in primary place of residence.

If a taxpayer who qualifies for the tax credit with respect to a single-family residence ceases to use it as the primary place of residence, i.e., as the legal residence, during the five-year credit period, the taxpayer is ineligible for the tax credit starting with the first day of the month in which the primary place of residence changed.

## Specific line instructions

### Line 1

Enter the project number assigned to your zone project by the local zone authority. The project number shown on this line must agree with the project number shown on the zone project approval letter issued by the North Dakota Division of Community Services. If you do not have a copy of that letter, contact your local zone authority to obtain one.

**Attach a copy of the zone project approval letter to your North Dakota tax return.**

### Line 2

Check the appropriate box to identify the North Dakota city where your zone project property is physically located.

### Line 3

Enter the street address of your project property. **Do not** enter a post office box number.

### Line 4

If you qualified for more than one zone project at the same street address, check the "Yes" box and write the project numbers for all of them on the line provided on the schedule.

### Line 7

Enter the five-year credit period start date for your zone project. This date is shown on the zone project approval letter issued by the North Dakota Division of Community Services. This date establishes the beginning of the five-year credit period that applies to a particular zone project property. This date does not change with respect to the zone project property, even if the property is transferred to another qualifying taxpayer. See **Five-year credit period** on this page for more information.

### Line 8

#### Credit period limitation

The credit is allowed for only that portion of your tax year for which you are eligible for the credit.

**Full-year eligibility.** You are eligible for the credit for your entire 2000 tax year if all of the following apply:

- You were eligible for the credit as of the beginning of your 2000 tax year.

If you are the first taxpayer to qualify for the credit with respect to the zone project property, your eligibility began in the month in which the property's 60-month credit period began—see **Five-year credit period** on this page.

If you acquired zone project property to which the single-family residence tax credit had already attached, and you acquired the property before the expiration of the property's 60-month credit period, your eligibility began in the month in which title to the property transferred to you or the month in which you first began occupying the property, whichever month is later in time.

- You used the zone project property as your primary place of residence for your entire 2000 tax year.
- The 60-month credit period did not expire during your 2000 tax year. This condition applies if the 60th month of the credit period falls in the last month of your 2000 tax year or later.

If all of the above conditions apply, enter "12 months" on line 8. Then go to line 9.

**Partial-year eligibility.** You are eligible for the credit for only part of your 2000 tax year if any of the following apply:

- You became eligible for the credit during the 2000 tax year in a month other than the first month of the tax year.

If you are the first taxpayer to qualify for the credit with respect to the zone project property, your eligibility began in the month in which the property's 60-month credit period began—see **Five-year credit period** on this page.

If you acquired zone project property to which the single-family residence tax credit had already attached, and you acquired the property before the expiration of the property's 60-month credit period, your eligibility began in the month in which title to the property transferred to you or the month in which you first began occupying the property, whichever month is later in time.

- You sold or otherwise disposed of the zone project property during the 2000 tax year.
- You established another residence as your primary place of residence during the 2000 tax year.

- The 60-month credit period expired during the 2000 tax year, and the 60th month is not the last month of the tax year.

If any of the above conditions apply, enter on line 8 the number of months you are eligible for the credit during the 2000 tax year. The number of months you are eligible for the credit for the 2000 tax year is the **smaller** of the following:

1. The number of months in the 60-month credit period available to you as of the beginning of the 2000 tax year.
2. The number of months you owned and occupied the residence during the 2000 tax year.

## Instructions for Part 4:

### Historic property preservation or renovation tax credit

#### General information

##### Eligibility

A tax credit is allowed to a taxpayer for income tax purposes (under N.D.C.C. ch. 57-38) or financial institution tax purposes (under N.D.C.C. ch. 57-35.3) for making an investment in the preservation or renovation of zone project property consisting of historic property.

This tax credit may be claimed by the following taxpayers:

- An individual (on Form 37-S or Form 37).
- An estate or trust (on Form 38, Schedule 1 or 2).
- A corporation (on Form 40).
- A financial institution (on Form 35).

**Pass-through entity.** If the taxpayer is a partnership, S corporation, or other pass-through entity, see **Pass-through entity** on page 1.

##### Amount of tax credit

The tax credit is equal to fifty percent (50%) of the amount invested during the tax year. If the tax credit exceeds the

taxpayer's tax liability for the tax year in which the investment is made, the excess tax credit may be carried forward and used in the following five tax years.

##### Historic property

Historic property means property that the North Dakota Historical Society certifies to be one of the following:

- Listed on the National Historic Register of Historic Places, or on a state or local historic property register.
- A contributing structure within a National Register historic district, or a certified state or local historic district.
- Eligible for listing on the National Historic Register of Historic Places.

Certification of historic property for purposes of the Act is part of the zone project application process, and the taxpayer will receive written notification of the certification from the local zone authority.

#### Specific line instructions

##### Note: Pass-through entity owner

If you are a pass-through entity owner and you are completing Schedule RZ only to claim your share of the historic property preservation or renovation tax credit passed through to you by the pass-through entity, skip lines 1 through 6 and go to line 7. See **Pass-through entity owner** on page 2 for more information.

##### Line 1

Enter the project number assigned to your zone project by the local zone authority. The project number shown on this line must agree with the project number shown on the zone project approval letter issued by the North Dakota Division of Community Services. If you do not have a copy of that letter, contact your local zone authority to obtain one.

**Attach a copy of the zone project approval letter to your North Dakota tax return.**

##### Line 2

Check the appropriate box to identify the North Dakota city where your zone project is physically located.

##### Line 3

Enter the street address of your project property. Include the apartment, suite, or other unit number, if applicable. **Do not** enter a post office box number.

##### Line 4

If you qualified for more than one zone project at the same street address, check the "Yes" box and write the project numbers for all of them on the line provided on the schedule.

**Note:** If you have more than one zone project for which you qualify for the historic property preservation or renovation tax credit, complete a separate Schedule RZ for each project. Add the separately calculated amounts and enter the total in Part 6, line 1, of one of the schedules.

##### Line 7

This line applies only if you own an interest in a partnership, S corporation, or other pass-through entity that qualified for the historic property preservation or renovation tax credit. Enter on this line your share of the tax credit shown on the Renaissance Zone Pass-Through Member Notice that you received from the pass-through entity. See **Pass-through entity** on page 1 for more information.

**Attach a copy of the Renaissance Zone Pass-Through Member Notice to your North Dakota tax return.**

##### Line 8

###### Carryforward from prior year(s)

If you were eligible for the historic property preservation or renovation tax credit for your 1999 tax year, and you were unable to use all of the tax credit on your 1999 North Dakota tax return, enter on this line the unused portion of the 1999 tax credit. See **Amount of tax credit** on this page for more information.

**Attach a statement showing how you determined the amount entered on this line.**

##### Line 10

###### Current year credit

Enter on this line only that portion of your total available tax credit (on line 9) that you are actually offsetting against your 2000 tax liability. In determining this amount, you must first use the amount of any tax credit attributable to qualifying

payments made in your 2000 tax year (total of lines 6 and 7). Then, you must use any tax credit carryforward from a prior year (line 8) starting with the earliest tax year.

**Attach a statement showing how you determined the amount entered on this line.**

#### Line 11

##### Carryforward to following year(s)

If your total available tax credit (on line 9) exceeds the amount of the tax credit that you are offsetting against your 2000 tax liability (on line 10), enter on this line the portion of the excess that is eligible for carryforward to your 2001 tax year.

**Attach a statement showing how you determined the amount entered on this line.**

## Instructions for Part 5: Renaissance fund corporation investment tax credit

### General instructions

#### Eligibility

A tax credit is allowed to a taxpayer for income tax purposes (under N.D.C.C. ch. 57-38) or financial institution tax purposes (under N.D.C.C. ch. 57-35.3) for making an investment in a renaissance fund corporation established by a zone.

This tax credit may be claimed by the following taxpayers:

- An individual (on Form 37-S or Form 37).
- An estate or trust (on Form 38, Schedule 1 or 2).
- A corporation (on Form 40).
- A financial institution (on Form 35).

**Pass-through entity.** If the taxpayer is a partnership, S corporation, or other pass-through entity, see **Pass-through entity** on page 1.

#### Amount of tax credit

The tax credit is equal to fifty percent (50%) of the amount invested during the tax year. If the tax credit exceeds the taxpayer's tax liability for the tax year in which the investment is made, the excess tax credit may be carried forward and used in the following five tax years.

#### Maximum tax credits

The maximum amount of tax credits allowed for all investments made by all taxpayers on a statewide basis may not exceed fifty percent of the first \$5 million invested in all tax years under the Act. Further, the statewide maximum credit of \$2.5 million (\$5 million x 50%) is allocated to three categories of cities based on population, as determined by the North Dakota Division of Community Services. Credits in excess of the city and state maximum amounts are not allowed. Tax credits will be allowed to taxpayers based on a investment reporting form that the renaissance fund corporation must complete and file with the Office of State Tax Commissioner—see **Investment reporting form** on this page for more information.

The tax credits will be allowed on a first-come basis according to the date the investment reporting forms are received by the Office of State Tax Commissioner. If the tax credits attributable to the investments shown on the investment reporting forms received on a particular day exceed the maximum amount allowed (by city or statewide), the tax credits will be allowed based on the time of day the investments were received by the renaissance fund corporation, as shown on the investment reporting form.

#### Investment reporting form

If you made an investment in a renaissance fund corporation, you should have received two copies of the North Dakota Renaissance Fund Corporation Investment Reporting Form. If you did not receive them, contact the renaissance fund corporation in which you made the investment. You must attach one copy of the investment reporting form to your North Dakota tax return. Keep the other copy for your records.

#### Redeeming an investment

If you redeem an investment that you originally made within ten years of the

date of your investment, the tax credit allowed with respect to your redeemed investment is disallowed. If this occurs, the renaissance fund corporation must complete another North Dakota Renaissance Fund Corporation Investment Reporting Form to record the redemption transaction and give you two copies of it. You must attach one copy of the investment reporting form to your North Dakota tax return. Keep the other copy for your records.

**Repayment of disallowed credit.** A credit disallowed as the result of a redemption must be repaid to the state. The repayment must be made with the North Dakota tax return filed for the year in which the redemption occurred. No penalty or interest applies to the repayment amount. **Do not** file an amended return or use Schedule RZ to report the redemption. **If you redeem an investment in 2000, contact the Office of State Commissioner for instructions on how to complete your North Dakota return.**

### Specific line instructions

#### Note: Pass-through entity owner

If you are a pass-through entity owner and you are completing Schedule RZ only to claim your share of the renaissance fund corporation investment tax credit passed through to you by the pass-through entity, skip lines 1 through 3 and go to line 4. See **Pass-through entity owner** on page 2 for more information.

#### Line 1

Check the appropriate box to identify the North Dakota renaissance zone city to which your investment in the renaissance fund corporation was directed. This city will be identified on the North Dakota Renaissance Fund Corporation Investment Reporting Form that you received from the renaissance fund corporation.

#### Line 4

This line applies only if you own an interest in a partnership, S corporation, or other pass-through entity that qualified for the renaissance fund corporation investment tax credit. Enter on this line your share of the tax credit shown on the Renaissance Zone Pass-Through Member Notice that you received from the pass-

through entity. See **Pass-through entity** on page 1 for more information.

**Attach a copy of the Renaissance Zone Pass-Through Member Notice to your North Dakota tax return.**

### Line 5

#### Carryforward from prior year(s)

If you made a qualifying investment in a renaissance fund corporation in your 1999 tax year, and you were unable to use all of the tax credit on your 1999 North Dakota tax return, enter on this line the unused portion of the 1999 tax credit. See **Amount of tax credit** on page 9.

**Attach a statement showing how you determined the amount entered on this line.**

### Line 7

#### Current year credit

Enter on this line only that portion of your total available tax credit (on line 6) that you are actually offsetting against your 2000 tax liability. In determining this amount, you must first use the amount of any tax credit attributable to qualifying investments made in your 2000 tax year (total of lines 3 and 4). Then, you must use any tax credit carryforward from a prior year (line 5) starting with the earliest tax year.

**Attach a statement showing how you determined the amount entered on this line.**

### Line 8

#### Carryforward to following year(s)

If your total available tax credit (on line 6) exceeds the amount of the tax credit that you are offsetting against your 2000 tax liability (on line 7), enter on this line the portion of the excess that is eligible for carryforward to your 2001 tax year.

**Attach a statement showing how you determined the amount entered on this line.**

## Instructions for Part 6: Summary of exemptions and credits

### Line 3

#### Total income exemption

Enter the amount from this line on your North Dakota tax return as follows:

- **Resident individual**—If you are a resident individual filing Form 37-S (Short form), enter the exemption amount on the Adjustment Schedule (Form 37-S), line 8. If you are filing Form 37 (Long form), enter the exemption on Schedule 2, line 23.
- **Nonresident individual**—If you are a nonresident individual filing Form 37-S (Short form), enter the exemption amount on the Adjustment Schedule (Form 37-S), line 8. If you are filing Form 37 (Long form), enter the exemption on Schedule 3, line 8.

- **Regular corporation**—If you are a regular corporation filing Form 40, enter the exemption amount on Form 40, page 1, line 11.

**Exception:** Disregard the above instruction if you are also claiming any of the following: (1) the new and expanding industry exemption under N.D.C.C. ch. 40-57.1; (2) your share of a business income exemption that was passed through to you by a partnership or other pass-through entity—see Schedule RZ, Part 1, line 13; or (3) the investment income exemption—see Schedule RZ, Part 2, line 10. If any of these apply, contact the Office of State Tax Commissioner for instructions on how to complete Form 40 to claim your renaissance zone income exemption.

- **S corporation**—If you are an S corporation filing Form 60, **do not** enter the exemption amount on Form 60. Complete Schedule A on page 2 of Form 60 to show the amount of the exemption amount distributed to each shareholder. You must notify each shareholder about the pass-through of the exemption amount—see **Pass-through member notice** on page 2 for the instructions on how to prepare the notice.

- **Financial institution**—If you are a financial institution filing Form 35, enter the exemption amount on Form 35, page 1, line 11.

**Exception:** Disregard the above instruction if you are also claiming any of the following: (1) your share of a business income exemption passed through to you by a partnership or other pass-through entity—see Schedule RZ, Part 1, line 13; or (2) the investment income exemption—see Schedule RZ, Part 2, line 10. If any of these apply, contact the Office of State Tax Commissioner for instructions on how to complete Form 35 to claim your renaissance zone income exemption.

- **Partnership**—If you are a partnership filing Form 58, **do not** enter the exemption amount on Form 58. Complete Schedule A on page 2 of Form 58 to show the amount of the exemption amount distributed to each partner. You must notify each partner about the pass-through of the exemption amount—see **Pass-through member notice** on page 2 for the instructions on how to prepare the notice.
- **Fiduciary**—If you are a fiduciary for an estate or trust, and you are completing Schedule 1 (Short Method) on Form 38, enter the exemption amount on line 5 of Schedule 1. This applies regardless of whether you are filing for a resident or nonresident estate or trust.

If you are a fiduciary for an estate or trust, and you are completing Schedule 2 (Long Method) on Form 38, enter the exemption amount on line 6 of Schedule 2 if a **resident** estate or trust, or include the exemption amount in the calculation of North Dakota income (loss) on line 14 of Schedule 2 if a **nonresident** estate or trust.

### Line 7

#### Total tax credit

Enter your total tax credit from this line on your North Dakota tax return as follows:

- **Individuals**—If you are a resident or nonresident individual filing Form 37-S (Short form), enter the tax credit on line 3. If you are filing Form 37 (Long form), enter the tax credit on Schedule 2, line 7.

- **Regular corporation**—If you are a regular corporation filing Form 40, enter the tax credit on Schedule TC, line 10.
- **S corporation**—If you are an S corporation filing Form 60, **do not** enter the tax credit on Form 60. Complete Schedule A on page 2 of Form 60 to show the amount of the tax credit distributed to each shareholder. You must notify each shareholder about the pass-through of the tax credit—see **Pass-through member notice** on page 2 for the instructions on how to prepare the notice.
- **Financial institution**—If you are a financial institution filing Form 35, include the tax credit on page 1, line 17.
- **Partnership**—If you are a partnership filing Form 58, **do not** enter the tax credit on Form 58. Complete Schedule A on page 2 of Form 58 to show the amount of the tax credit distributed to each partner. You must notify each partner about the pass-through of the tax credit—see **Pass-through member notice** on page 2 for the instructions on how to prepare the notice.
- **Fiduciary**—If you are a fiduciary filing Form 38, write “Renaissance Zone” and the amount of the tax credit on the dotted line for line 12, page 1, Form 38. Subtract the tax credit from your tax and enter the net result on line 12.

## Is your Schedule RZ complete?

### Before you file your North Dakota tax return, have you...

- Completed all applicable lines of Schedule RZ?
- Attached all 3 pages of Schedule RZ to your return?
- Attached a copy of the project approval letter, if applicable? This applies if you claim any of the incentives in Parts 1, 2, 3, and 4.
- Attached a copy of the Renaissance Zone Pass-Through Member Notice, if you are claiming your share of an exemption or credit from a partnership, S corporation, or other pass-through entity.
- Attached the required statements showing how you calculated your credit in Part 4 or Part 5, including any carryforward or carryover amount.

# Instructions for calculating the zone apportionment factor

(Part 1, lines 9a-9h)

## General instructions

These instructions explain how to calculate the zone apportionment factor on lines Schedule RZ, Part 1, lines 9a through 9h. You must calculate the zone apportionment factor if your zone project does not include all of the **real property** held and used in your business in North Dakota. For this purpose, real property includes leaseholds, i.e., real property that you are leasing and using in your business.

If your zone project includes all of the real property held and used in your business in North Dakota, skip lines 9a through 9g and enter 1.000000 on line 9h, and go to line 10. *If this applies, you may ignore the remainder of these instructions on pages 12 and 13.*

## Factor in general

The zone factor is a fraction composed of the following:

- **Numerator**

The numerator includes the average value of the owned and rented properties that are used at your business's zone project location.

- **Denominator**

The denominator includes the average value of owned and rented properties that are used in North Dakota.

### Determining average value of property.

See the specific line instructions for lines 9a through 9g for how to determine the average value of the property.

### Property includable in zone

**apportionment factor.** The zone apportionment factor must include all North Dakota real and tangible personal property owned and rented that is used in the regular course of the taxpayer's business during the tax period.

Real and tangible personal property includes land, buildings, machinery, stocks of goods, equipment, and other tangible

property. It does not include coin and currency.

**Property used in the business.** Property is used in the regular course of your business if it is actually used, available for use, or capable of being used in the regular course of the business during the tax period. This includes the following:

- Inventoriable goods in process.
- Property held as reserves or standby facilities, or property held as a reserve source of materials.
- Property under construction if actually used in the regular course of the business, but only to the extent of the value attributable to its use. In the case of an improvement to an existing business that is approved as a zone project, personal property that is purchased for purposes of the improvement and becomes an integral part of the business real property is excluded from the zone factor until completion of the improvement project.

Property required to be included in the zone apportionment factor must remain in the zone apportionment factor until its permanent withdrawal is established by an identifiable event, such as its sale or the lapse of an extended period of time (normally five years) during which the property is held for sale.

### Property used at zone project location.

Property is included in the numerator of the zone apportionment factor if it is physically located and used at the zone project location. Property in transit on the last day of the tax year and mobile or movable property is considered to be located and used at the zone project location in the following situations :

- The property is in transit between separate physical locations of the same business and the property's destination is the zone project location.
- The property is in transit between a buyer and seller and, based on the taxpayer's regular accounting practices, is included in the denominator of the zone factor, and the property's final destination is the zone project location.
- The mobile or movable property, such as construction equipment, trucks, or leased electronic equipment, is

assigned to the zone project location. This includes an automobile assigned to a traveling employee who is assigned to the zone project location.

## Specific line instructions

### Lines 9a through 9d

In **Column A** (Total North Dakota property), enter on the applicable line the average value of the business's tangible assets that are owned and located in North Dakota. In **Column B** (Zone project property only), enter the portion of the amount in Column A that is physically located and used at the zone project location.

**Determining the average value of owned property.** The average value of owned property must be determined by adding the original cost (or other basis used for federal income tax purposes) of the property as properly reported on the books of the business on the first and last days of the tax year and dividing the sum by two. Depreciation, amortization, and depletion must be disregarded. Include capital additions or improvements made during the tax year in this calculation. Note the following special rules:

- Inventory of stock of goods must be valued using the valuation method used for federal income tax purposes.
- Property acquired by gift or inheritance must be valued at its basis for depreciation purposes under federal income tax law.
- Leasehold improvements are considered property owned by the lessee regardless of whether the lessee is entitled to remove the improvements or the improvements revert to the lessor when the lease expires. Value at the original cost of the improvements.

**Monthly averaging exception.** If the averaging method described above does not properly reflect the average value of the property, the tax commissioner may require or allow averaging on a monthly basis. This method will generally be applied in the following situations:

- There are substantial fluctuations in the values of the property during the tax year.

- The property is acquired after the beginning of the tax year.
- The property is disposed of before the end of the tax year.

**Example of monthly averaging.**

Assume the following property values determined as of the end of each month:

|           |                   |
|-----------|-------------------|
| January   | \$ 2,000          |
| February  | 2,000             |
| March     | 3,000             |
| April     | 3,500             |
| May       | 4,500             |
| June      | 10,000            |
| July      | 15,000            |
| August    | 17,000            |
| September | 23,000            |
| October   | 25,000            |
| November  | 13,000            |
| December  | <u>2,000</u>      |
| Total     | \$ <u>120,000</u> |

The average value of the property for the tax year is \$10,000 (\$120,000 divided by 12).

**Line 9e****Other assets**

In **Column A** (Total North Dakota property), enter the average value of the business's tangible assets not included on lines 9a through 9d that are owned and located in North Dakota. In **Column B** (Zone project property only), enter the portion of the amount in Column A that is physically located and used at the zone project location. See the instructions for lines 9a through 9d for how to determine the average value of the assets.

**Attach a statement specifically identifying the assets included on this line.**

**Line 9f****Rented property**

For rented property, enter in **Column A** (Total North Dakota property) the amount determined by multiplying the net annual rental rate by eight. In **Column B** (Zone project property only), enter the portion of the amount in Column A that is attributable to the rented property that is physically located and used at the zone project location.

**Note:** Leasehold improvements are considered property owned by the lessee regardless of whether the lessee is entitled to remove the improvements or the

improvements revert to the lessor when the lease expires. See the instructions to lines 9a through 9e.

**Net annual rental rate.** The net annual rental rate for an item of rented property equals the annual rental rate that you paid less any subrents that you received from subtenants. If you received subrents, the following apply:

- Do not deduct the subrents from the annual rental rate if they constitute income earned in the regular course of your business.
- If the subrents produce a negative or clearly inaccurate value for any item of rented property, another method that properly reflects the value of the rented property may be required by the tax commissioner or requested by you. For this purpose, the resulting value must not be less than an amount which bears the same ratio to the annual rental rate paid for the rented property as the fair market value of that portion of the rented property used by the taxpayer bears to the total fair market value of the rented property.

**Annual rental rate.** Generally, the annual rental rate means the amount paid as rent for the rented property for a twelve month period. If the property is rented for a term of less than twelve months, the annual rental rate equals the rent paid for the actual rental term during the tax year. If property is rented for a term of twelve or more months and the current tax year covers a period of less than twelve months because of a reorganization or change of accounting period, etc., the rent paid for the short tax year must be annualized.

**Rent.** Rent means the actual sum of money or other consideration payable, directly or indirectly, by you or for your benefit for the use of the rented property, including the following:

- Any amount payable for the use of real or tangible personal property, or any part thereof, whether designated as a fixed sum of money or as a percentage of sales, profits, or otherwise.
- Any amount payable as additional rent or in lieu of rent, such as interest, taxes, insurance, repairs, or any other items which are required to be paid by the terms of the lease or other arrangement. This does not include an amount paid as a service charge, such

as for utilities or janitorial services. If a payment includes both rent and other unsegregated charges, the amount of rent must be determined by considering the relative values of the rent and the other items.

Rent does not include incidental day-to-day expenses, such as hotel accommodations or daily automobile rentals.

**Exception to net annual rental rate**

**method.** If the use of the net annual rental rate method produces a negative or clearly inaccurate value, or where rented property is used by the taxpayer at no charge or rented at a nominal rate, the net annual rental rate for the property must be determined on the basis of a reasonable market rental rate for the property.

2000

North Dakota Office of State Tax Commissioner

## Schedule RZ

Renaissance Zone Act exemptions and credits

Attach to 2000  
Form 35, 37-S, 37, 38, 40,  
58, or 60, whichever applies

Name as shown on your tax return

Social security number (or FEIN, if applicable)

## Part 1 Business income exemption

► See the instructions for Part 1 on page 2 of the booklet

1 Project number assigned by the local zone authority (*Attach a copy of the project approval letter issued by the ND Division of Community Services*) .....

Project Number

2 City in which renaissance zone is located: ☐ Fargo ☐ West Fargo ☐ Casselton ☐ Jamestown ☐ Valley City

3 Street address of project property .....

4 Do you have more than one project at the address shown on line 3 above? ☐ Yes ☐ No

If you checked yes, enter all of the project numbers here: .....

5 Type of qualifying transaction: (*per project approval letter issued by the ND Division of Community Services*)

a ☐ Purchase b ☐ Purchase with major improvement c ☐ Lease d ☐ Qualified improvement

6 If you checked 5a, 5b, or 5c on line 5 above, enter the date you purchased or leased this qualifying property ..... / /

7 Exemption start date (*per project approval letter issued by the ND Division of Community Services*) ..... / /

8 North Dakota business income for 2000 tax year (*See instructions for amount to enter on this line*) ..... 8

► Does your zone project include 100% of your North Dakota business *real property*? For this purpose, include real property that you are leasing for use in your business.

- If yes, skip lines 9a through 9g and enter 1.000000 on line 9h.
- If no, see instructions for line 9.

9 Enter average value at original cost of each of the following real and tangible personal property items used in the business

**Column A**  
Total North Dakota  
property

**Column B**  
Zone project property  
only

a Inventories ..... 9a

b Building(s) and other fixed assets ..... 9b

c Depletable assets ..... 9c

d Land ..... 9d

e Other assets (*Attach statement*) ..... 9e

f Rented property (*Annual rental x 8*) ..... 9f

g Total property (*Add lines 9a through 9f*) ..... 9g

h Zone apportionment factor (*Divide line 9g, Column B by line 9g, Column A*) ..... 9h •

10 North Dakota business income attributable to renaissance zone project property (*Multiply line 8 by factor on line 9h*) ..... 10

► Are you eligible for this exemption for all of your 2000 tax year? See instructions.

- If yes, skip lines 11a and 11b, and enter 1.000000 on 11c.

11 a Number of months you are eligible for the exemption in the 2000 tax year ..... 11a

b Number of months in your 2000 tax year ..... 11b

c Exemption period eligibility factor for 2000 tax year (*Divide line 11a by line 11b*) ..... 11c •

12 Business income exemption for this project (*Multiply line 10 by factor on line 11c*) ..... 12

13 Business income exemption from a partnership, S corporation, or other pass-through entity (*Attach a copy of the Renaissance Zone Pass-Through Member Notice*) ..... 13

14 Total business income exemption for 2000 tax year (*Add lines 12 and 13*)  
Enter result here and on page 3, Part 6, line 1 of this Schedule RZ ..... 14

► Attach all 3 pages of Schedule RZ to your return



Name as shown on your tax return

Social security number (or FEIN, if applicable)

**Part 2 Investment income exemption**

► See the instructions for Part 2 on page 5 of the booklet

1 Project number assigned by the local zone authority (*Attach a copy of the project approval letter issued by the ND Division of Community Services*).....**Project Number**2 City in which renaissance zone is located: ☐ Fargo ☐ West Fargo ☐ Casselton  
☐ Jamestown ☐ Valley City

3 Street address of project property .....

4 Do you have more than one project at the address shown on line 3 above? ☐ Yes ☐ No

If you checked yes, enter all of the project numbers here: .....

5 Date on which you purchased this qualifying property ..... / /

6 Exemption start date (*per project approval letter issued by the ND Division of Community Services*)..... / /

► For lines 7a and 7b, enter only the income or gain actually received during the period of time you were eligible for this exemption during the 2000 tax year.

7 a Net rental income from this zone project property ..... 7a .....

b Gain from sale or other disposition of this project property

(Enter date of sale/disposition \_\_\_\_ / \_\_\_\_ / \_\_\_\_ )..... 7b .....

8 Total investment income derived from this project property (*Add lines 7a and 7b*) ..... 8 .....9 Investment income exemption from a partnership, S corporation, or other pass-through entity (*Attach a copy of the Renaissance Zone Pass-Through Member Notice*) ..... 9 .....10 Total investment income exemption for 2000 tax year (*Add lines 8 and 9*)  
Enter result here and on page 3, Part 6, line 2 of this Schedule RZ ..... 10 .....**Part 3 Single-family residence tax credit**

► See the instructions for Part 3 on page 6 of the booklet

1 Project number assigned by the local zone authority (*Attach a copy of the project approval letter issued by the ND Division of Community Services*).....**Project Number**2 City in which renaissance zone is located: ☐ Fargo ☐ West Fargo ☐ Casselton  
☐ Jamestown ☐ Valley City

3 Street address of project property .....

4 Do you have more than one project at the address shown on line 3 above? ☐ Yes ☐ No

If you checked yes, enter all of the project numbers here: .....

5 Date on which you **purchased** this qualifying property ..... / /6 Date on which you **first occupied** this qualifying property ..... / /7 Five-year credit period start date (*per project approval letter issued by the ND Division of Community Services*)..... / /

► Please read the instructions for line 8 before completing it.

8 Number of months you are eligible for this credit for the 2000 tax year ..... 8 .....

9 Single-family residence tax credit. Enter the applicable amount (*as explained below*) here and on page 3, Part 6, line 4 of this Schedule RZ ..... 9 .....

- If line 8 shows 12 months, enter \$10,000.
- If line 8 shows less than 12 months, multiply the number of months on line 8 by \$833.33

► Attach all 3 pages of Schedule RZ to your return

Name as shown on your tax return

Social security number (or FEIN, if applicable)

**Part 4 Historic property preservation or renovation tax credit**

► See the instructions for Part 4 on page 8 of the booklet

**Project Number**1 Project number assigned by the local zone authority (*Attach a copy of the project approval letter issued by the ND Division of Community Services*).....2 City in which renaissance zone is located: ☐ Fargo ☐ West Fargo ☐ Casselton  
☐ Jamestown ☐ Valley City

3 Street address of project property .....

4 Do you have more than one project at the address shown on line 3 above? ☐ Yes ☐ No

If you checked yes, enter all of the project numbers here: .....

5 Amount you paid during the 2000 tax year to preserve or renovate this qualifying historic property ..... 5 .....

6 Multiply line 5 by 50% ..... 6 .....

7 Historic tax credit from partnership, S corporation, or other pass-through entity (*Attach a copy of the Renaissance Zone Pass-Through Member Notice*)..... 7 .....8 Carryforward from prior year(s) (*See instructions*)..... 8 .....9 Total available credit (*Add lines 6, 7, and 8*)..... 9 .....10 Credit for 2000 tax year (*See instructions*) Enter here and on line 5, Part 6 (*below*) of this Schedule RZ ..... 10 .....11 Carryforward to 2001 tax year (*See instructions*)..... 11 .....**Part 5 Renaissance fund corporation investment tax credit**

► See the instructions for Part 5 on page 9 of the booklet

1 City in which renaissance zone is located: ☐ Fargo ☐ West Fargo ☐ Casselton  
☐ Jamestown ☐ Valley City2 Amount you invested in the renaissance fund corporation during the 2000 tax year (*Attach a copy of the Renaissance Fund Corporation Investment Reporting Form that you received from the corporation*)..... 2 .....

3 Multiply line 2 by 50% ..... 3 .....

4 Renaissance fund corporation investment tax credit from partnership, S corporation, or other pass-through entity (*Attach a copy of the Renaissance Zone Pass-Through Member Notice*)..... 4 .....5 Carryforward from prior year(s) (*See instructions*)..... 5 .....6 Total available credit (*Add lines 3, 4, and 5*)..... 6 .....7 Credit for 2000 tax year (*See instructions*) Enter here and on line 6, Part 6 (*below*) of this Schedule RZ ..... 7 .....8 Carryforward to 2001 tax year (*See instructions*)..... 8 .....**Part 6 Summary of exemptions and credits**

► See the instructions for Part 6 on page 10 of the booklet

1 Business income exemption (*from line 14, Part 1*) ..... 1 .....2 Investment income exemption (*from line 10, Part 2*)..... 2 .....3 Renaissance zone income exemption (*Add lines 1 and 2*) (*See the instructions for where to enter this amount on your return*)..... 3 .....4 Single-family residence tax credit (*from line 9, Part 3*) ..... 4 .....5 Historic property preservation or renovation tax credit (*from line 10, Part 4*) ..... 5 .....6 Renaissance fund corporation investment tax credit (*from line 7, Part 5*) ..... 6 .....7 Renaissance zone credit (*Add lines 4, 5, and 6*) (*See the instructions for where to enter this amount on your return*)..... 7 .....

► Attach all 3 pages of Schedule RZ to your return